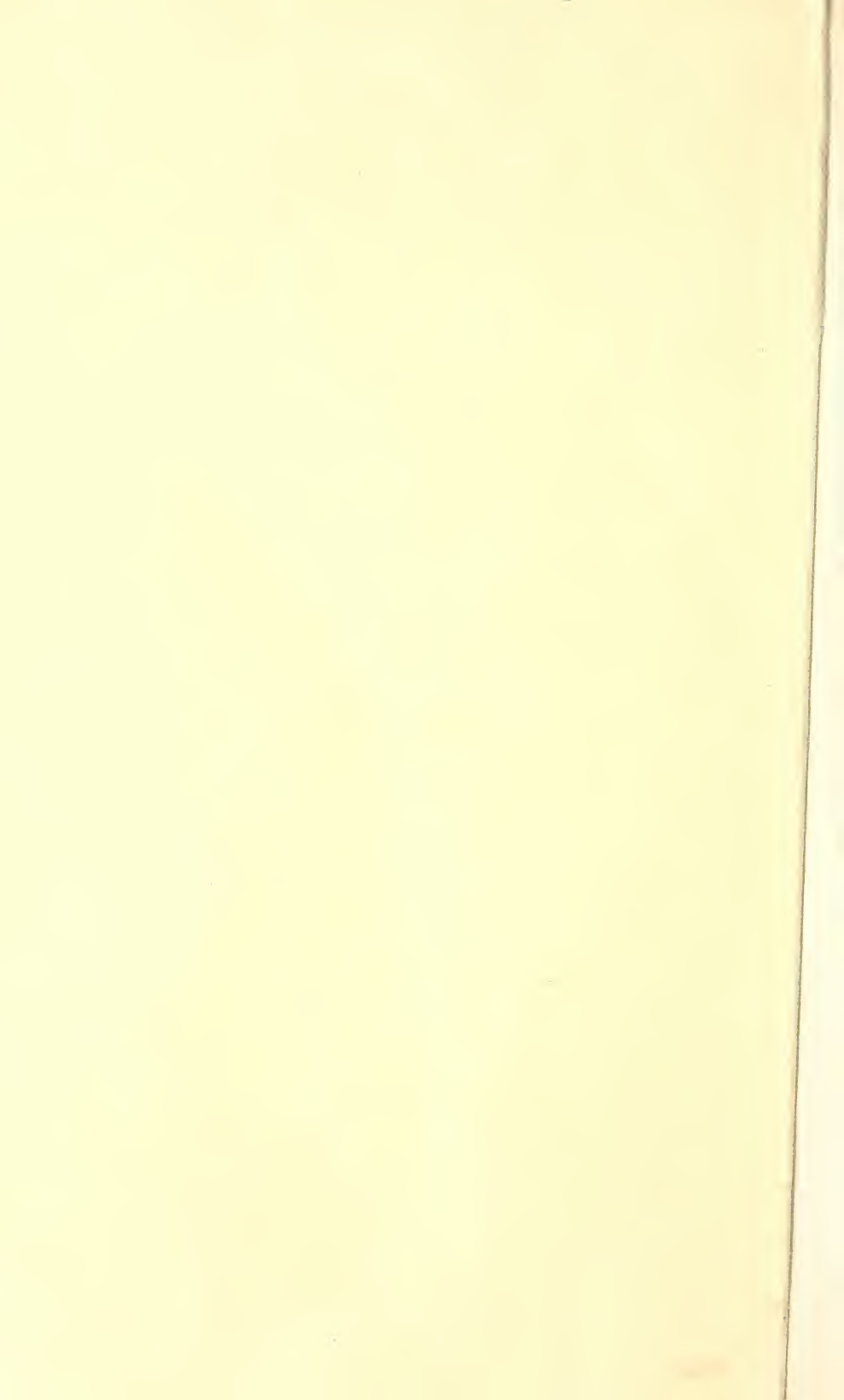


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UNITED STATES DEPARTMENT OF AGRICULTURE
MISCELLANEOUS PUBLICATION No. 262

WASHINGTON, D. C.

ISSUED FEBRUARY 1937

**A GRAPHIC SUMMARY OF
FARM TAXATION**

By
DONALD JACKSON
Senior Agricultural Economist
Bureau of Agricultural Economics



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1937

This publication is one of a projected series of 10 publications, as follows:

A Graphic Summary of Physical Features and Land Utilization.	O. E. Baker
A Graphic Summary of Farm Tenure_____	H. A. Turner
A Graphic Summary of Farm Taxation_____	Donald Jackson
A Graphic Summary of the Value of Farm Property.	B. R. Stauber and M. M. Regan
A Graphic Summary of Farm Machinery, Facilities, and Expenditures_____	O. E. Baker
A Graphic Summary of Farm Labor and Population.	J. C. Folsom and O. E. Baker
A Graphic Summary of the Number, Size, and Type of Farms, and Value of Products_____	O. E. Baker
A Graphic Summary of Farm Crops_____	O. E. Baker and A. B. Genung
A Graphic Summary of Farm Animals and Animal Products.	O. E. Baker
A Graphic Summary of Farm Mortgage Debt.	D. L. Wickens and N. J. Wall

This series, which has been prepared under the general direction of O. E. Baker, senior agricultural economist, will bring up to date the Graphic Summary of American Agriculture published in 1931 as Miscellaneous Publication 105.

The Graphic Summary of American Agriculture first appears in the 1915 Yearbook of Agriculture (also issued as Yearbook Separate 681), and was largely based on the 1910 census. The second was contained in the 1921 Yearbook (also issued as Yearbook Separate 878), and was based largely on the 1920 census. The third was published as Miscellaneous Publication No. 105, in May 1931, and was based on both the 1925 Agricultural Census and the annual estimates of the Bureau of Agricultural Economics. It was divided into 11 sections, but these sections were bound together and issued only as a single publication. It was more inclusive than previous issues, particularly of maps and graphs relating to the economic and social aspects of agriculture.

The publications in this series devote still more attention to economic and social conditions. They are based on the 1930 census reports, as well as the data of the Bureau of Agricultural Economics. They deal not only with changes between 1930 and 1935 but also, though very briefly, with the changes during the decade of urban prosperity and agricultural depression that preceded the more general depression. Most of the distribution maps for crops and many of those for livestock present the 1929 census returns, because the drought of unprecedented severity and extent in 1934 would make such maps for 1934 misleading. Several increase and decrease maps, however, show the changes that occurred between 1929 and 1934, or 1930 and 1935.

The graphic presentation was largely designed and drafted under the direction of R. G. Hainsworth, in charge of the Graphic Section of the Bureau of Agricultural Economics.

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A GRAPHIC SUMMARY OF FARM
TAXATIONBy DONALD JACKSON, *senior agricultural economist,*
Bureau of Agricultural Economics

Certain of the more important facts about farm taxes are shown in the following charts. The subject can be neither completely described in a small number of charts nor adequately discussed in a few paragraphs, but major elements of the problem can be set forth.

From 1929 to 1934 farm real estate taxes declined by about one-third, but throughout the preceding decade they had been on a relatively high level. Between 1913 and 1920 they rose 109 percent, and then continued to rise slowly until 1929. With the drastic curtailment in farm income after 1929, farm-tax delinquency rapidly increased. Taxes could not be paid. But they must be paid (or the taxes abated) before the farm owner's title to his land can be cleared. A great many farm owners have lowered their standard of living and have worked doubly hard to keep their property, yet now have a heavy debt of back taxes (including interest and penalties) to pay from current income.

With the great increase in farm real estate taxes from the beginning of the World War, the continual drop in land values from 1920 to 1932, and the disastrous decline in farm income after 1929, the farmers' inability to meet tax bills in the depression years is not surprising. Property taxes tend to become relatively "fixed" charges, which can be decreased only to a very limited extent. In prosperous years there is a tendency to demand increased governmental services, with resulting tax increases. In periods of depression it is difficult to discontinue accustomed services and thus reduce taxes.

Government is comprised of services or facilities found desirable to be furnished by society collectively. Total benefits or services from government obviously cannot be completely stated in objective terms because without government no property or security could exist. Likewise it is impossible to state who, or what class, receives the greatest eventual benefit from a service rendered to a given individual or class. Farm-to-market highways, for instance, are of mutual benefit to buyers and sellers of farm products.

Two principal bases of taxation with which to pay for governmental services are "ability to pay" and "benefits received." In many cases, as in the case of relief measures, those receiving the direct benefits cannot possibly pay the cost. In a majority of rural communities school and highway costs account for more than one-half of all property-tax levies, and some communities cannot maintain

schools or highways on a standard acceptable to the rest of society. In other cases, such as police protection, the direct benefits can never be computed.

From one point of view there appears some ground for saying that ability to pay and benefits received in final analysis largely reduce to the same basis. These benefits consist of assurances or guarantees of rights and privileges. They guarantee title, occupancy, and use of one's property; availability of facilities such as highways, bridges, schools, and registries of legal records; recourse in the courts for infringement of the rights involved; and through the police a final physical protection of the whole system. Some of these benefits are supplied equally to all, but others are not. Theoretically protection to person is equal for all; protection to property however varies of necessity with the amount of property which individuals possess, that is to say, comparable protection is offered to all units of property. The real significance of the distinction between "ability to pay" and "benefits received" depends upon such analysis of the exact meaning of these two terms. Obviously, "ability to pay" determines the maximum which can be collected from an individual, and in this sense it is a measure of relative burden upon different taxpayers.

At least in these cases wherein society's standards require services for which the recipient cannot pay, and of which the benefits are indeterminate, it appears necessary that contribution be related to ability to pay. The farmers' interest is in accord with this. It demands that the tax base be broadened so that taxation shall draw more uniformly from all tax-paying ability, whether this ability is based directly upon ownership of physical property or upon income from other sources.

**SOURCE OF FARM-TAX DOLLAR,
UNITED STATES AVERAGE, 1927,
1930, 1932, AND 1934**

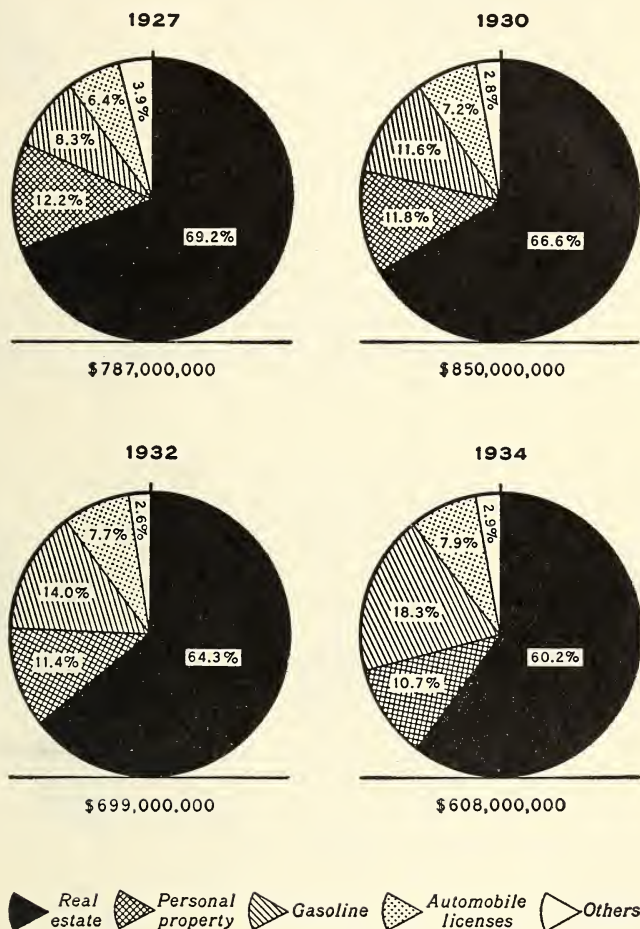


FIGURE 1.—Separation of total direct farm taxes into types shows where and how the burden of these taxes falls. The two outstanding changes shown since 1927 are the decrease in the proportion paid on real estate and the increase in the proportion paid on gasoline for farm automobiles and tractors. The proportion of the total taxes derived from automobile licenses has increased, but not at as rapid a rate as the proportion derived from gasoline taxes.

FARM REAL ESTATE TAXES PER ACRE, VALUE PER ACRE, AND GROSS FARM INCOME PER ACRE, UNITED STATES, 1913-34

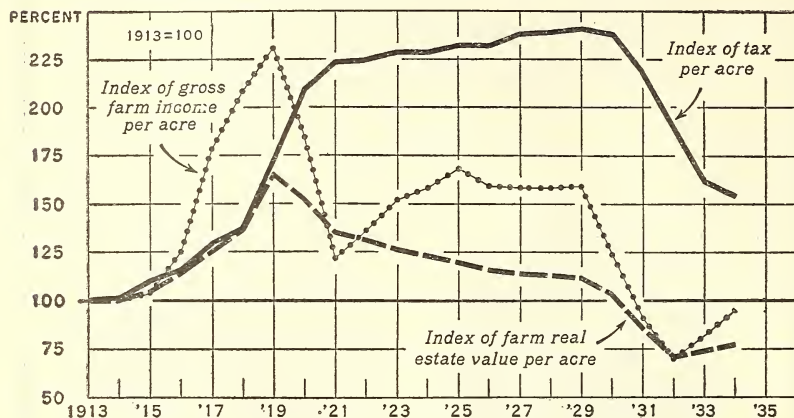


FIGURE 2.—During the decade of the twenties, farm real estate taxes per acre rose higher than in any previous period, and increased continuously. The value of farm real estate, on the other hand, continuously declined, and gross farm income after recovery from the 1921 depression remained fairly steady from 1923 to 1929. From 1929 to 1932, taxes per acre decreased but farm-land values decreased at a more rapid rate and gross farm income still more rapidly. From 1932 to 1934 taxes continued to decline, whereas both farm income and real estate values increased.

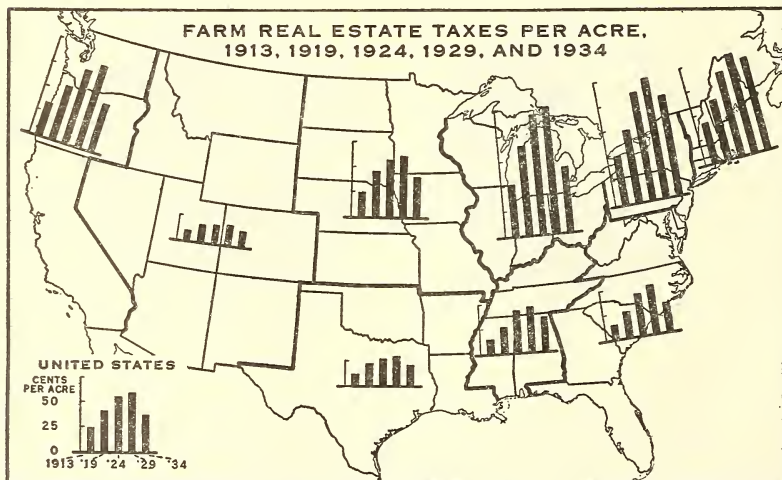


FIGURE 3.—Taxes per acre always have been on different levels in the various regions of the United States, reflecting climatic and soil conditions, lay of the land, distance from market, crops grown, and many other factors. Despite these differences, the great increase in taxes per acre after 1913, and the high and rising level maintained throughout the decade of the twenties, appears with remarkable similarity in all regions. The decrease during the depression is also universal, but the degree of decrease was much greater in some regions than in others.

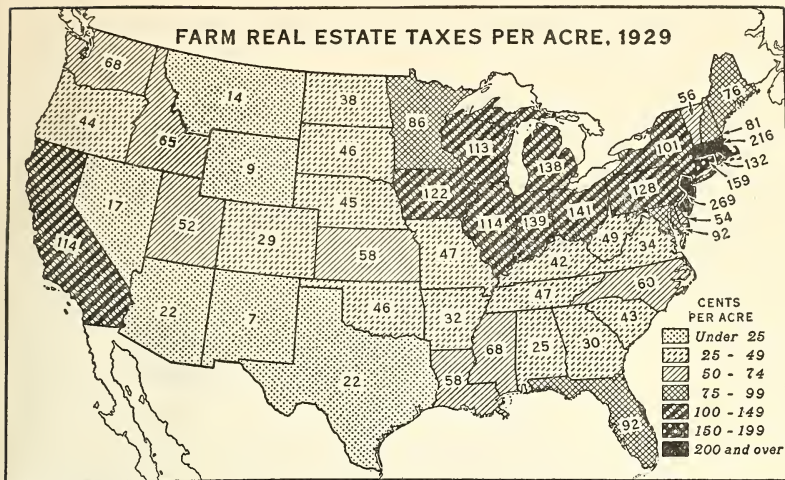


FIGURE 4.—Taxes per acre vary from State to State, not only with changes in soil, climate, and crops, but also with population, and with industrial and commercial development. These basic factors of physical and social environment largely determine the requirements and total cost of governmental services. Moreover, the economic interests and social traditions determine in large part the portion of that cost to be borne by farm real estate. The average tax per acre in the United States as a whole was 58 cents in 1929.

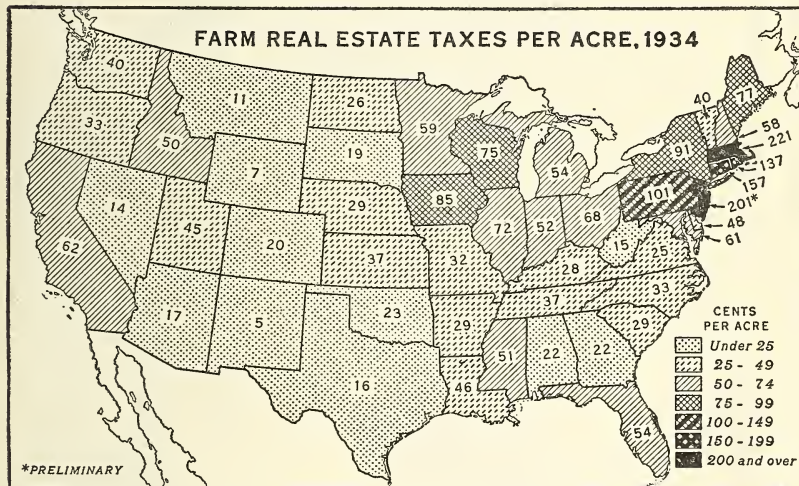


FIGURE 5.—Following the 1929 tax levy, drastic decreases in farm income and land values, with attendant debt distress and other economic difficulties, necessitated decreases in average farm real estate taxes in every State. In a few States, however, the peak of taxes was not reached until after 1929, and the decrease from the peak year to 1934 was less than the rise from 1929 to the peak year. The downward trend for many communities ended with 1934. In numerous cases the levies of that year resulted in small increases in taxes per acre, and it appears that for the country as a whole the 1935 average approximately equaled that for 1934 (that is, 37 cents).



FIGURE 6.—Farm taxes per acre, as reported by the 1930 census by full owners owning no other land, vary as widely between the counties within a State as they do between States. In most States, moreover, farm lands vary greatly in quality even within a county. State lines and even county lines are not predominant factors in determining the amounts of taxes per acre that farmers must pay. Yet where physical and economic conditions are fairly uniform sharp distinctions between adjoining counties do indicate that local governmental policy has an important influence upon taxes per acre.

FARM REAL ESTATE TAXES PER \$100 OF VALUE, PER \$100 OF GROSS FARM INCOME, AND PER ACRE, UNITED STATES, 1913-34

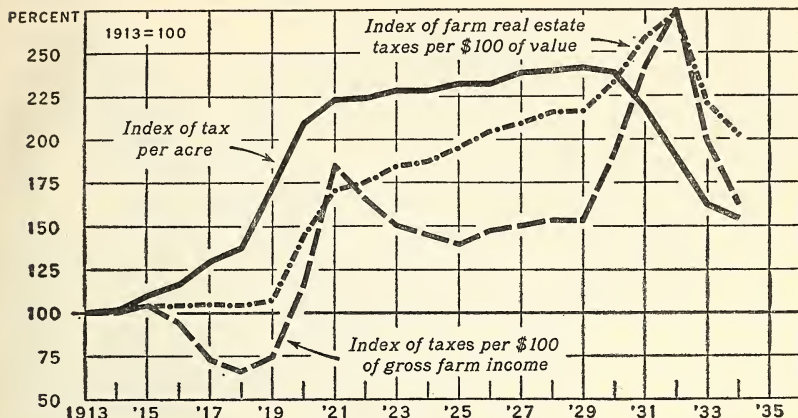


FIGURE 7.—Farm real estate taxes per \$100 of real estate value remained practically constant from 1913 to 1919, but thereafter, until 1932, increased more rapidly than did taxes per acre. This was largely the result of the continual decrease in land values. In comparison with farm income the tax increases from 1919 to 1921, and from 1929 to 1932 were even greater than in comparison with real estate values. In 1934 farm real estate taxes per \$100 of gross farm income were 60 percent greater than in 1913, and per \$100 of value of farm real estate they were twice as great as in the pre-war base year.

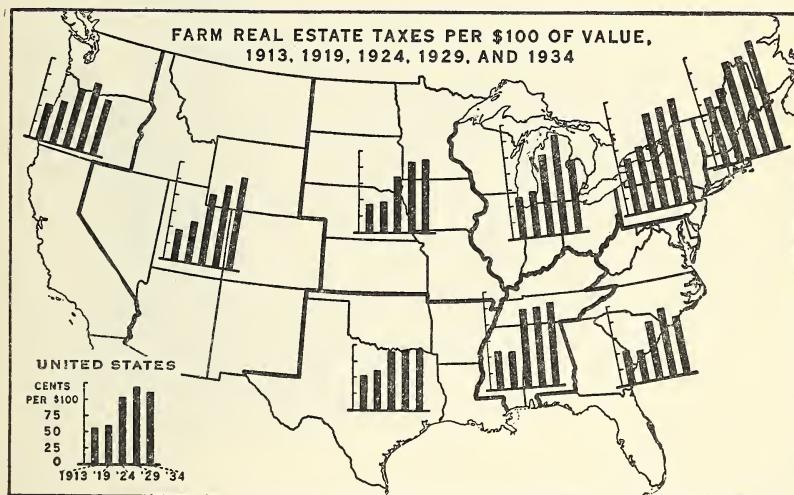


FIGURE 8.—Farm real estate taxes related to values against which they were levied, that is, the tax per \$100 of value, did not uniformly decrease after 1929. The average for the country as a whole showed no decrease until 1932-33. Six of the nine geographic divisions actually showed net increases from 1929 to 1934. Nearly all States showed decreases from 1932 to 1934, but in a majority of States these decreases failed to offset the increases during the preceding 3 years.

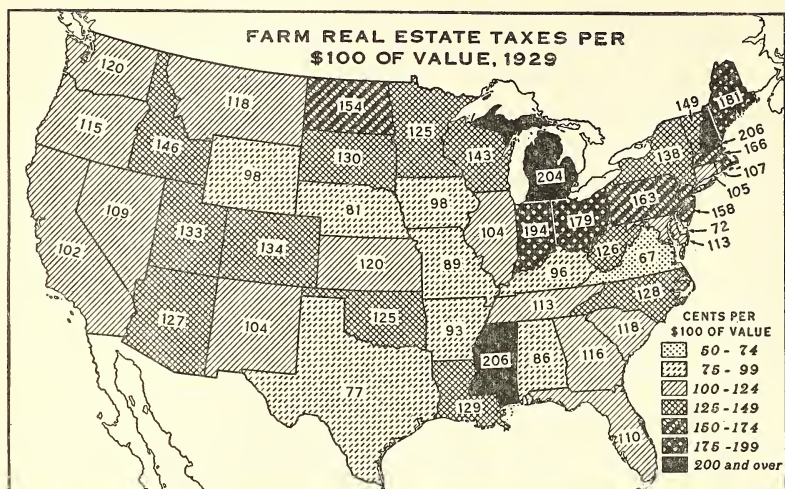


FIGURE 9.—Farm real estate taxes per \$100 of value in 1929 had a distribution quite different from that of taxes per acre. (See fig. 4.) In many respects taxes per \$100 of value give a better indication of comparative tax burden than do taxes per acre. The variation suggests, in a general way, the degree to which taxes failed to correspond with agricultural productivity in the different States, and with the ability of agriculture to pay taxes. The average tax per \$100 value in the United States as a whole was \$1.19 in 1929.

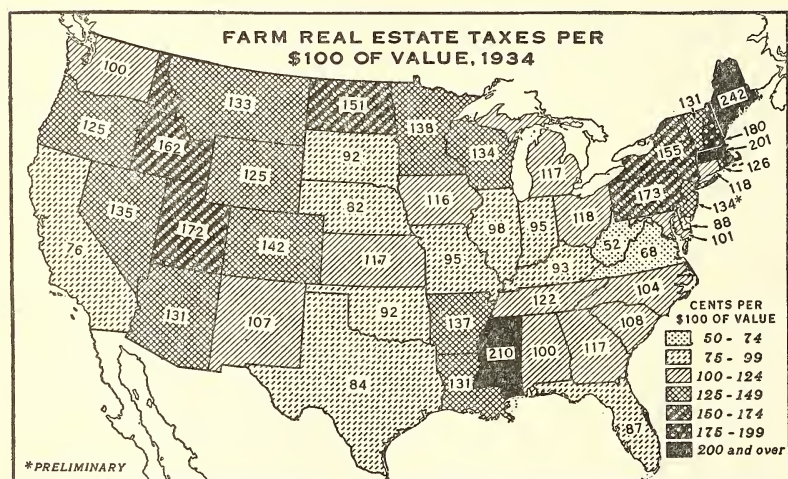


FIGURE 10.—Comparison of farm real estate taxes per \$100 of value in 1929 and 1934 indicates in which States the struggle to reduce farm taxes succeeded in lightening the burden relative to land values. In many States moderate increases, and in a few States large increases in taxes per \$100 of land value occurred during this period of attempted reduction, as a result of land values falling more rapidly than taxes. The average tax per \$100 value in the United States as a whole was \$1.11 in 1934.

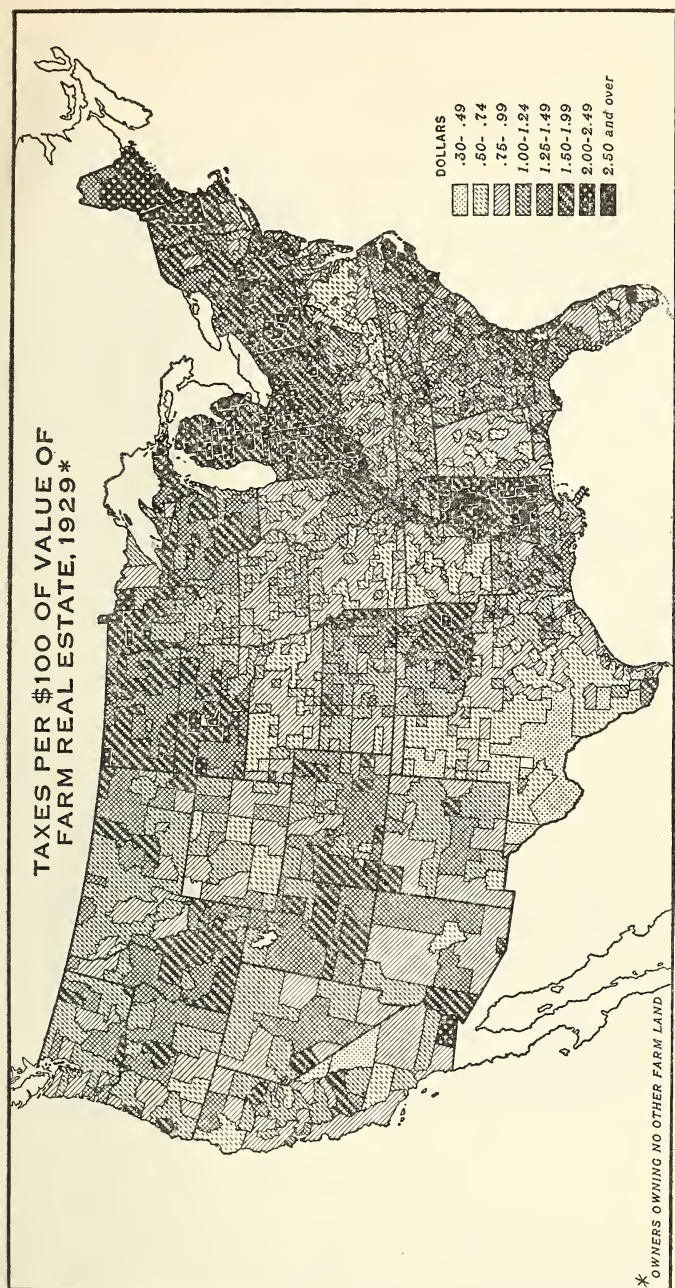


FIGURE 11.—Both the taxes paid and the values of real estate used in making this map are those reported by the 1930 census. The census inquiry asks the farmer to "give the amount for which this farm would sell." It is evident that changes in this ratio of taxes to sale value do not necessarily follow State lines. Nevertheless, there appears a greater tendency toward marked differences between States as a whole than there is in the case of taxes per acre. (See fig. 6.) This suggests that the amount of taxes which farmers must pay is influenced more by the State than by the local governments.

FARM AND CITY REAL ESTATE TAXES IN KANSAS, 1910-29

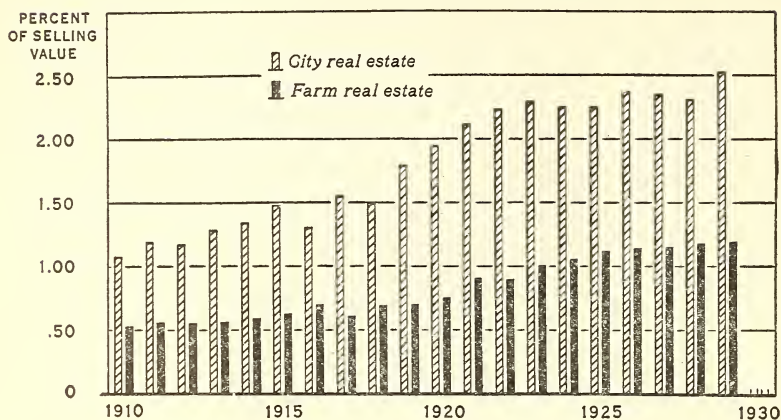


FIGURE 12.—Rates of taxes on “true values” of real estate in other States as well as in Kansas, commonly are higher on urban properties than on farm properties. But in a final analysis tax burdens fall on property owners, not properties. Because much other tax-paying ability is taxed less heavily than is that which depends upon real estate, the comparison of urban and rural rates fails to indicate the relatively great burden on farmers—also on small-home owners and other real-estate owners in low-income groups.

USES OF FARM-PROPERTY TAXES IN KANSAS, 1916-33

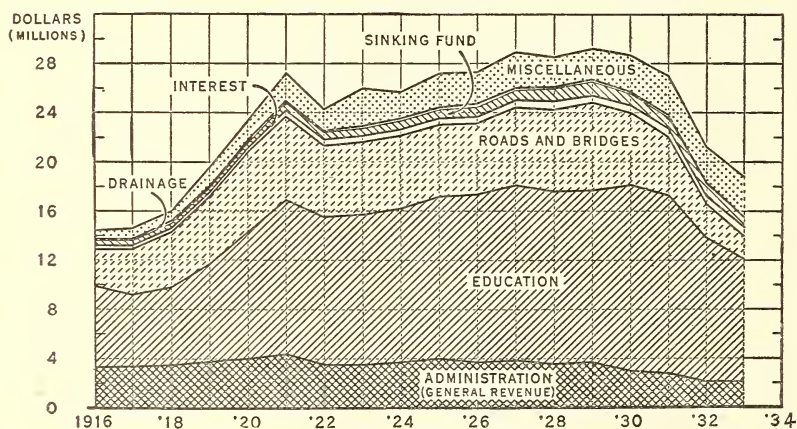
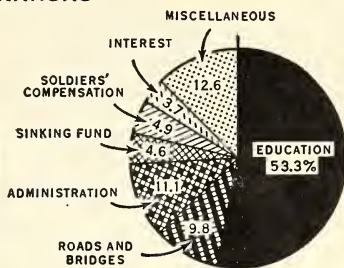
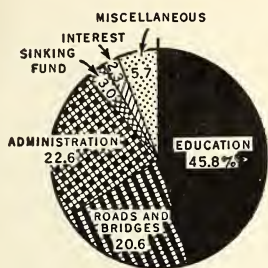


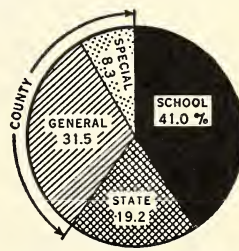
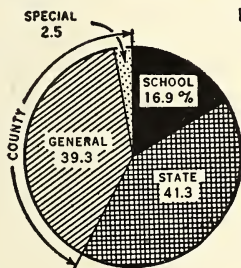
FIGURE 13.—In Kansas, and probably in every other State, schools and highways account for a major part of the total farm-property taxes. The comparison of trends in the graph above neither proves that any specific function of government is overdeveloped or underdeveloped, nor does it demonstrate the degree of efficiency of any function. It does indicate one major reason why taxes rose to a higher level between 1916 and 1921, and indicates also where curtailment occurred in the use of farm property taxes in Kansas between 1930 and 1933, through decreased expenditures and shifts to other sources. (Data from Kansas Agricultural Experiment Station Bulletin 235 and Circular 159.)

USES OF FARM-PROPERTY TAXES: KANSAS, KENTUCKY, AND MONTANA

KANSAS



KENTUCKY



MONTANA

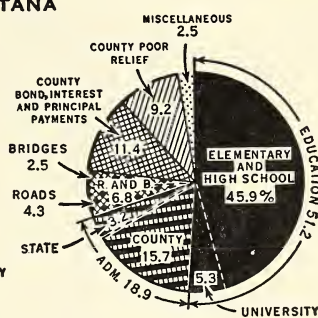
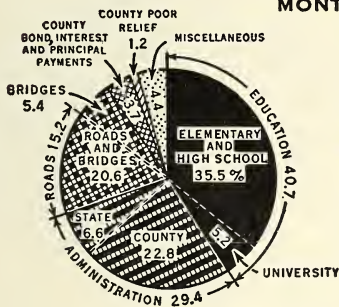


FIGURE 14.—The uses of tax revenues as well as their total amount within a State varies with the development of governmental functions and with the efficiency of their administration. Considerable variation is attributable, however, simply to differences in the allocation of specific functions between the various State and local government organizations. Despite such variations, similar trends are seen in many States, as well as in the three States included in this graph. In Kansas and in Montana an increasing proportion of the tax revenue was used for education and for bond payments and interest, and a decreasing proportion for roads and bridges.

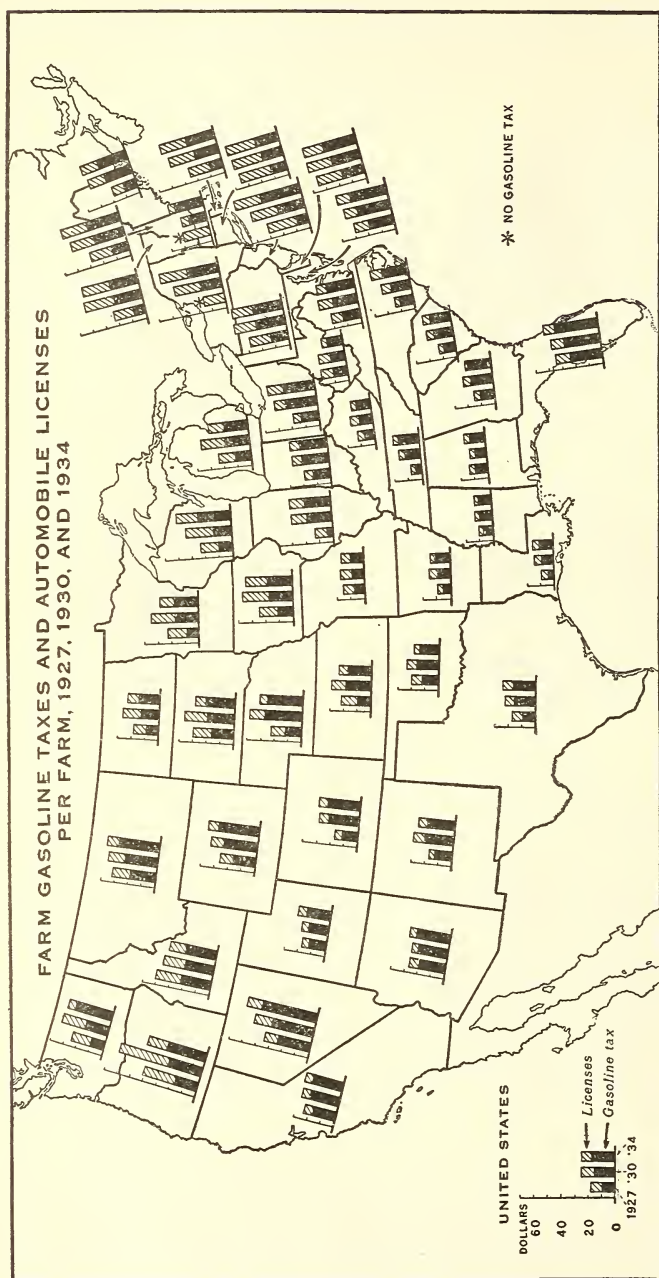


FIGURE 15.—Gasoline taxes and automobile licenses have come to involve a large outlay by farmers. Although neither is necessarily a "direct tax," they are, in general, necessary contributions from farmers to government. Gasoline taxes have increased enormously since 1927, and considerably since 1930, whereas automobile licenses have tended to decrease in cost in most States during the depression. But the gasoline taxes per farm in most States represent far larger amounts than do the license costs.

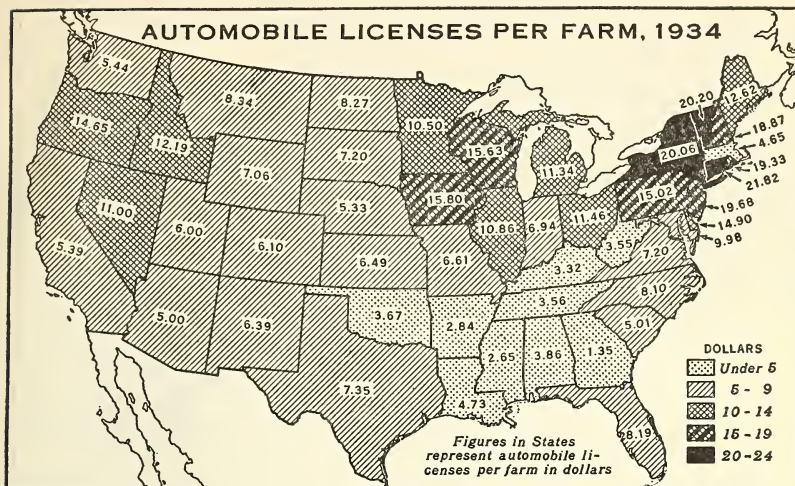


FIGURE 16.—The best estimates indicate that the cost of automobile licenses per farm varied in 1934 from about \$1.35 in Georgia to \$21.82 in Connecticut. There has been a tendency in many States during recent years to shift a portion of this "charge" from licenses to gasoline taxes, with the object of achieving a more just distribution of the combined payments according to the use of highways—for the construction, maintenance, and administration of which both gasoline taxes and automobile-license receipts are largely used. The average automobile license per farm in 1934 was \$7.65 in the United States as a whole.

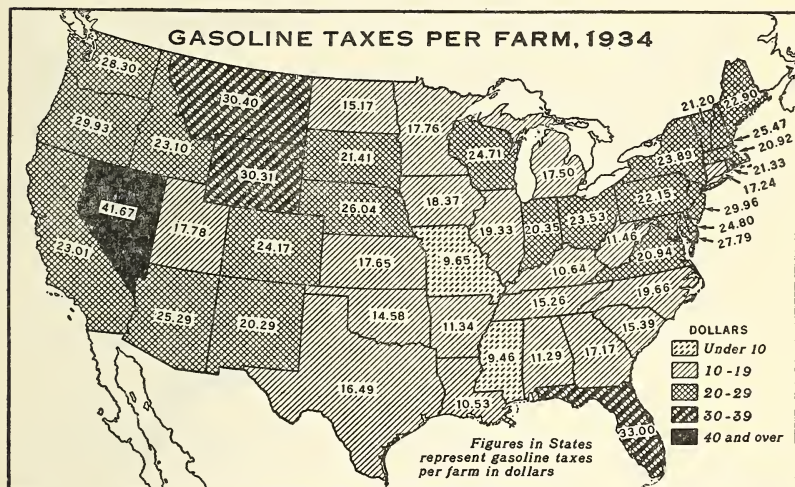


FIGURE 17.—The differences between States represent variations not only in rate of tax, but also in such factors as size and type of farm, average number of automobiles per farm, and distance to town or market. Gasoline taxes shown as amounts per farm indicate the average amounts which individual farmers pay. The average gasoline tax per farm in 1934 was \$17.69 in the United States as a whole.

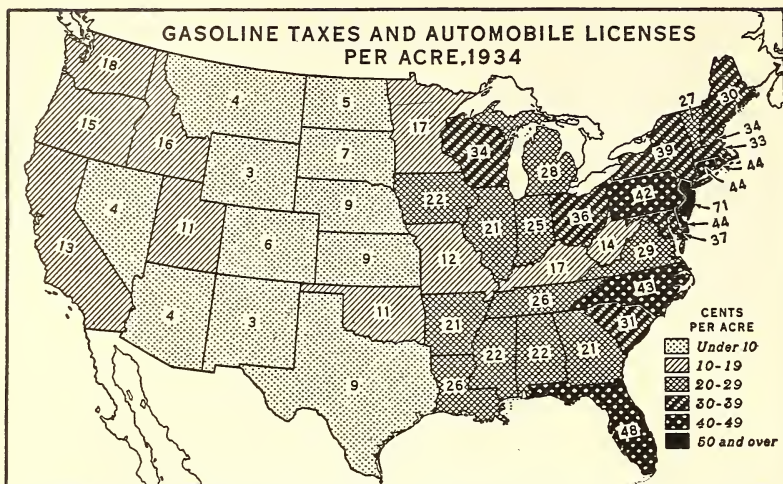


FIGURE 18.—The total combined payments for gasoline taxes and automobile licenses when divided by the total acreage in farms to show average cost per acre, show wide differences between the States. The difference of this distribution from that of these costs *per farm* results from variation in size of farms. In the Great Plains, Rocky Mountain, and arid interior regions, where the climate is dry, much of the land is used for grazing, the farms are extensive and the costs per acre are low. In the northeastern region, on the other hand, where many farms are small, automobiles are common and the cost per acre is high.

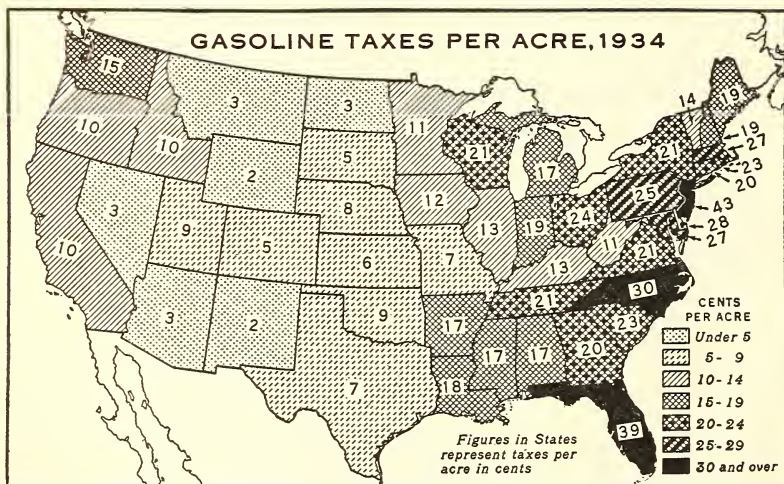


FIGURE 19.—Gasoline taxes per acre indicate the average amount of this kind of tax paid from the income of each acre of land in farms. Relating these taxes to cropland instead of to all farm land would show much larger gasoline taxes per acre, because much forest, pasture, and waste land is included in farms. In the Eastern States much farm land is in forest or brush; in the Great Plains region and west to the Pacific coast most land in farms is used for grazing.

NET RETURNS AND TAXES PER FARM ON OWNER-OPERATED FARMS, UNITED STATES, 1922-34

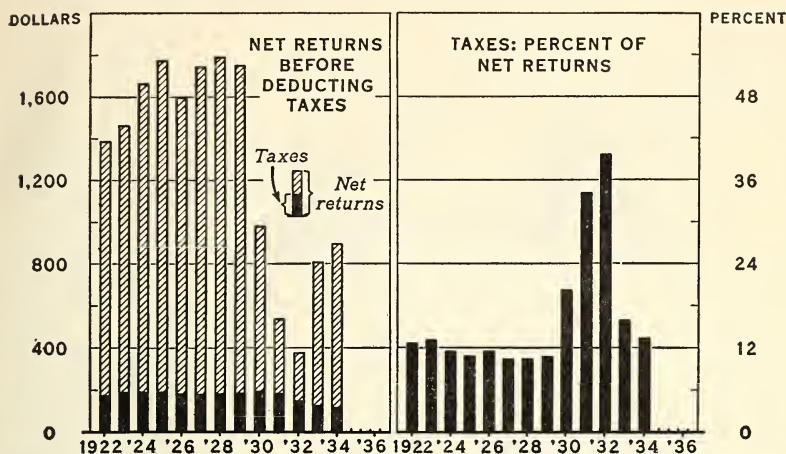


FIGURE 20.—Comparing property taxes with net income on a sample of several thousand farms scattered throughout the country brings out the relatively “fixed” nature of the tax charge in farming. Fixed charges become relatively heavier and more difficult to meet in periods of low income, and thus impose a special risk on any business. The higher the level of taxes becomes the greater becomes this special risk. Capitalization of the increase in taxes—as commonly understood—and deduction from real estate value, do not offset this added risk.

NET RETURNS AND TAXES ON OWNER-OPERATED FARMS, 1923-26, 1927-30, AND 1931-34

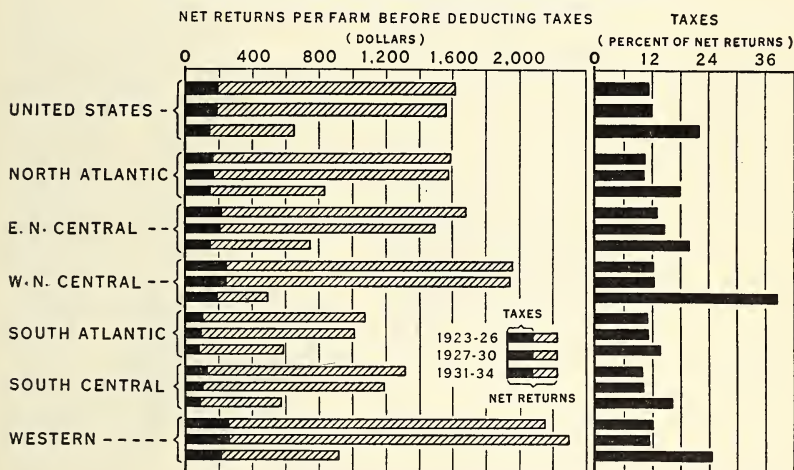


FIGURE 21.—The extent to which farm-property taxes reduced farmers' net returns during the 4-year period 1931-34, as compared with the two 4-year periods just preceding, illustrates the “fixed-charge” characteristic of these taxes. In each group of States shown above, the tax bills, on the sample farms studied, were lower in 1931-34 than in the preceding 8 years, yet in every region taxes during the depression period took a greater proportion of net income. In one region the proportion doubled; in another it trebled.

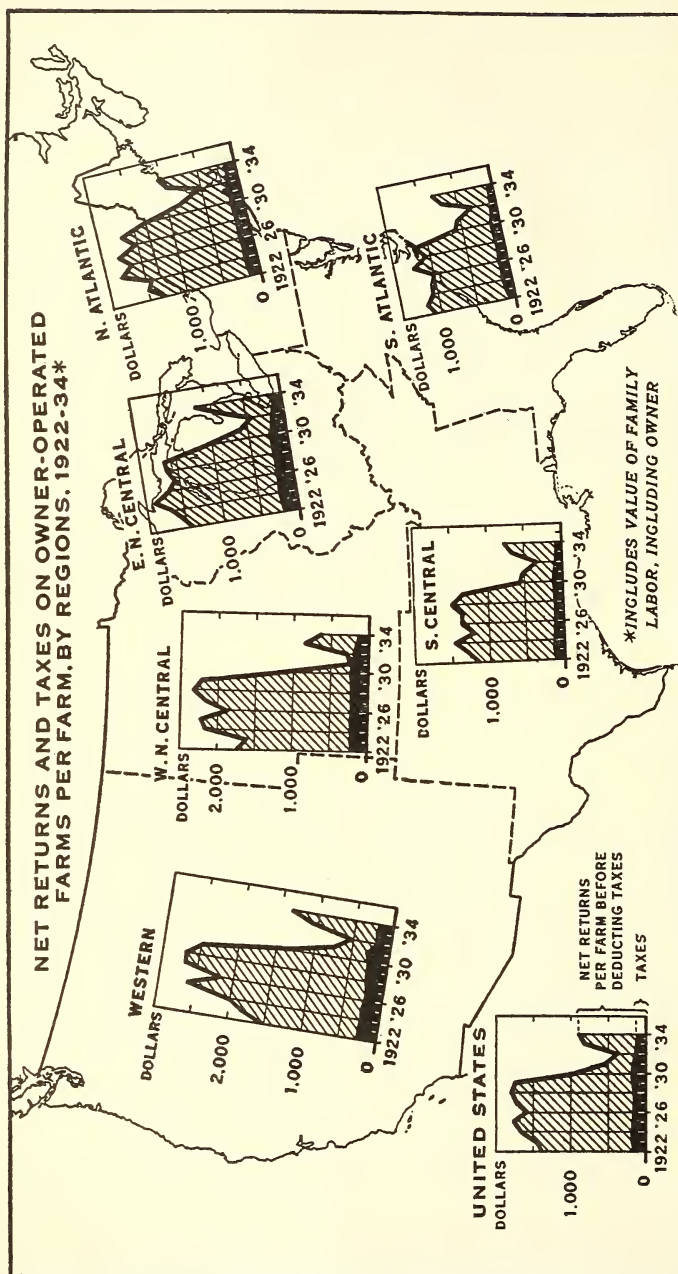


FIGURE 22.—Ratios of farm-property taxes to net farm income vary greatly from region to region. But they show that the same general trends have developed in all regions. The degree of uniformity appearing in these trends is evidence that the farm-tax situation is largely a result of conditions common to all regions. Taxes remained fairly constant in all regions from 1922 to 1930, and then began to decline in all regions except the far western, where 1931 was the peak year. From 1929 to 1932, however, income declined much more rapidly than did taxes, so that in the latter year property taxes took a very large part of total net income.

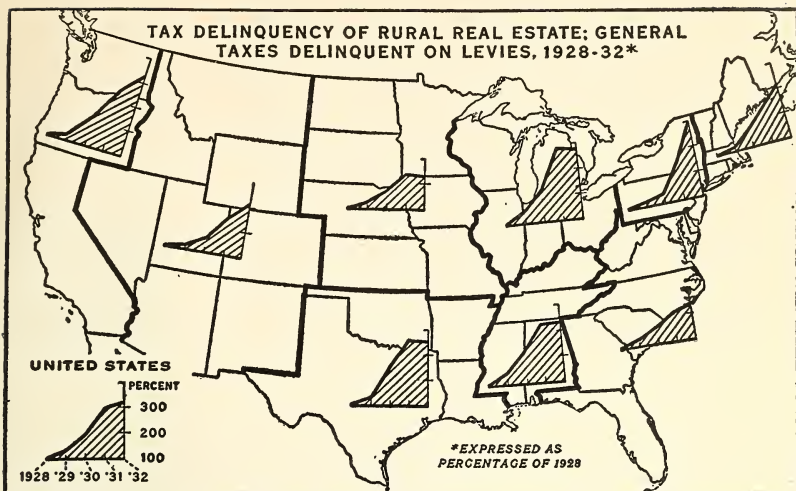


FIGURE 23.—The difficulty experienced by farmers in meeting their real estate tax levies since 1928 is shown by the increase in rural real-estate taxes not paid when due. These taxes are principally on agricultural real estate. In every region these delinquent taxes more than doubled in the period 1928-32. In seven of the nine regions they more than trebled. The figures in this chart are estimates based on tabulations of reports for one-fourth of the counties in the country. The data represent for each levy the total amount of taxes unpaid on the date when the taxes became subject to penalty charges.

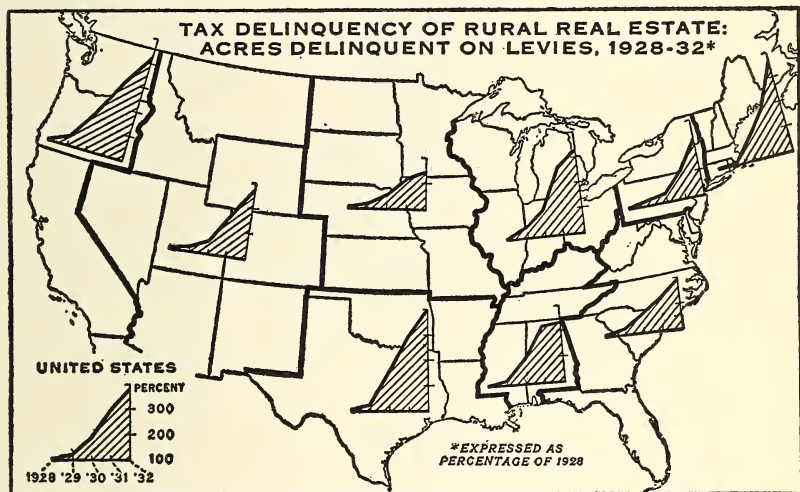


FIGURE 24.—The acreage of rural real estate on which taxes became delinquent increased after 1928 more rapidly than did the delinquent taxes, because of decrease in average tax levies per acre during the period. Yet on the land that was still delinquent in 1932, tax delinquency per acre had increased through accumulation of unpaid levies. On the other hand, considerable acreages were cleared by payment of back taxes. It is too early to know how much will eventually be cleared by the original owners, how much will be transferred to new private owners, and how much will be taken and held by tax-levying jurisdictions or other governmental units.

